

Message Text

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ACTION PM-03

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SAJ-01 EB-04 SS-15 NSC-05 MC-01 /060 W

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 4642

SEC DEF/ASD:ISA (SA) /DSAA

INFO SEC COMMERCE

AMEMBASSY OSLO

AMEMBASSY COPENHAGEN

AMEMBASSY BRUSSELS

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C O N F I D E N T I A L THE HAGUE 5332

E.O. 11652: N/A

TAGS: MASS, NL

SUBJECT: F-104 REPLACEMENT- CONVERSATION AMBASSADOR

GOULD AND LT. GEN. STOKLA RNLA

1. DURING LUNCHEON, WHICH AMBASSADOR HOSTED FOR ADMIRAL NANCE, CINCEUR INSPECTOR GENERAL, LT. GEN. STOKLA, DIRECTOR OF MATERIAL RNLA, REMARKED THAT ALL DUTCH MILITARY AGREE ON THE TECHNICAL SUPERIORITY OF AMERICAN F-104 REPLACEMENT CANDIDATES. HE WENT ON TO SAY THAT OTHER 3 ONSORTIUM MEMBERS ARE OF THE SAME OPINION.

2. NONTHELESS, STOKLA CONTINUED, THERE ARE THREE PROBLEM AREAS WITH REGARD TO SELECTION OF AN AMERICAN CANDIDATE: FIRST, THE NATURE AND EXTENT OF THE OFFSET AGREEMENT; SECOND, PRICE AND RELATED MATTERS SUCH AS CHANGES IN EXCHANGE RATE AND INFLATION AND POSSIBLE GUARANTEES AGAINST EXCESS INFLATION;
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AND THIRD, MANAGEMENT PROBLEMS INsofar AS THEY RELATE TO

CO-PRODUCTION AND THE LETTING OF CONTRACTS.

3. ADDRESSING HIMSELF TO THE THIRD PROBLEM AREA, STOKLA SAID THAT BELGIANS HAD AN UNHAPPY EXPERIENCE WITH LOCKHEED C-130 OFFSET AGREEMENTS, FOR CONTRACTS THAT HAD ACTUALLY BEEN PERFORMED IN BELGIUM WERE FAR BELOW PERCENTAGE OF TOTAL COST WHICH HAD BEEN PROVIDED FOR IN ORIGINAL AGREEMENT. THIS HAD COME ABOUT BECAUSE THE OFFSET AGREEMENT HAD CONTAINED A PROVISION PROVIDING THAT CONTRACTS WOULD ONLY BE LET WHERE "COMPETITIVE PRICES" WERE OFFERED BY BELGIAN MANUFACTURERS. APPARENTLY LOCKHEED HAD DECIDED IF PARTICULAR PROPOSALS WERE "COMPETITIVE" AND BELGIANS HAD FELT THAT THE "COMPETITIVE PRICES" CLAUSE HAD BEEN ABUSED TO THEIR DISADVANTAGE. IT WILL BE NECESSARY, STOKLA POINTED OUT, FOR A FULL DISCUSSION OF "COMPETITIVE PRICES" TO BE HELD SO THAT ALL PARTIES UNDERSTAND WHAT IS INVOLVED.

4. ELABORATING FURTHER WITH RESPECT TO THE THIRD PROBLEM AREA, STOKLA SAID THAT CO-PRODUCTION OF THIS DIMENSION WILL REALLY BE A VERY COMPLEX MATTER REQUIRING SKILLED MANAGEMENT ON BOTH SIDES OF ATLANTIC WORKING HARMONIOUSLY TOGETHER, IT WILL BE INSUFFICIENT, IN HIS JUDGEMENT, FOR DUTCH TO SIT ONLY ON THE BOARD OF DIRECTORS; THEY MUST PARTICIPATE AT THE EXECUTIVE LEVEL AS WELL.

5. EMBASSY COMMENT:

EMBASSY BELIEVES THAT DURING NEXT TWO MONTHS DUTCH WILL PLACE MAJOR EMPHASIS ON ECONOMIC OFFSETS AND WILL PRESS HARD FOR U.S. GUARANTEES ON SPECIFIC NUMBER OF MANHOURS FOR EACH DUTCH INDUSTRIAL PARTICIPANT. AS A MINIMUM, PERSONNEL IN MINISTRY OF ECONOMIC AFFAIRS WILL STRIVE FOR FIRM AGREEMENTS WITH DUTCH INDUSTRY. REF. CHMAAG MSG. 642

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